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You must	check the	арр	licable box for	r each item t	below.						
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Yes	✓ No	2.	There are ac 275 of 1980)		deficits in one	or more	of this unit's un	reserved fund	balances/	retained	d earnings (P.A
Yes	✓ No	3.	There are in amended).	stances of	non-compliand	ce with th	ne Uniform Acco	ounting and Bo	udgeting A	Act (P.A	. 2 of 1968, as
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We have	enclosed	the	following:					Enclosed	To I Forwa		Not Required
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Reports	on individu	al fe	deral financia	l assistance	programs (pro	ogram aud	lits).				✓
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Kent County CMH Authority (a component unit of the County of Kent, Michigan)

Financial Statements and Supplemental Material Years Ended September 30, 2005 and 2004

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99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone. (616) 774-7000 Fax. (616) 776-3680

Independent Auditors' Report

Kent County CMH Authority Grand Rapids, Michigan

We have audited the accompanying financial statements of Kent County CMH Authority (the Authority), a proprietary fund component unit of the County of Kent, Michigan, as of and for the years ended September 30, 2005 and 2004, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Analysis of Funding Progress - Employee Retirement System are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying supplemental material listed in the table of contents, as well as the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. Such information, except for the portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Grand Rapids, Michigan February 20, 2006

BDO Seilman, LLP

Management's Discussion and Analysis

This section of Kent County CMH Authority's annual financial report presents management's discussion and analysis of activities and financial performance during the fiscal year ended September 30, 2005. Please review it in conjunction with the Independent Auditor's Report, the Financial Statements, the Notes to the Financial Statements, and the Supplemental Material presented in this financial report.

Kent County CMH Authority is doing business as Network180, (formerly doing business as Community Mental Health and Substance Abuse Network of West Michigan), and is an Authority established by the State of Michigan and the County of Kent. The mission of the Authority is to shape our community in ways that support the full potential and valued place of each person, especially those at risk of or impacted by developmental disability, emotional disorder, mental illness, and substance use disorder.

The Kent County Board of Commission appoints the board members governing the Authority. The County also provides annual financial support to the Authority, and the Authority is considered a component unit for reporting purposes in the audit report of the County of Kent.

This section contains information on the basic financial statements of the Authority together with any required explanation that would be essential to acquire a full understanding of the data contained therein.

FINANCIAL POSITION SUMMARY

Analysis of assets, liabilities and net assets over time serves as a useful indicator of the Authority's financial position. The Authority's assets exceed liabilities by \$10.9 million at September 30, 2005. This represents a \$1.8 million increase over the prior period ended September 30, 2004.

A condensed summary of the Authority's statement of net assets is shown below:

September 30,	2005	2004
Assets: Current assets Net capital assets	\$ 23,645,889 \$ 206,834	19,660,685 274,269
Total Assets	23,852,723	19,934,954
Liabilities: Current liabilities Long-term liabilities	 12,958,187 	10,835,109
Total Liabilities	12,958,187	10,835,109
Net Assets: Invested in capital assets Unrestricted	 206,834 10,687,702	274,269 8,825,576
Total Liabilities and Net Assets	\$ 23,852,723 \$	19,934,954

The amount of net assets invested in capital assets is \$206,834 or 1.9% of net assets. Net assets designated for risk fund is \$1,898,706 or 17.4% of net assets. Undesignated, unrestricted net assets of \$8,788,996 represent 80.7% of total net assets.

REVENUES

A summary of operating revenues for the fiscal year ended September 30, 2005, and the amount and percentage of change in relation to the prior year is as follows:

	2005 Amount	Percent of Total	Increase (Decrease) from 2004	Percent Increase (Decrease)
Operating Revenues: Medicaid funds State general funds Federal and State grants Waiver programs General revenue	\$ 65,800,556 15,472,576 4,511,774 2,822,210 3,649,921	71.3% 16.8 4.9 3.1 3.9	\$ 3,435,573 (668,350) 37,135 (905,022) 198,345	`0.8
Total Operating Revenues	\$ 92,257,037	100.0%	\$ 2,097,681	2.3%

EXPENSES

A summary of operating expenses for the fiscal year ended September 30, 2005, and the amount and percentage of change in relation to the prior year is as follows:

	2005 Amount	Percent of Total		Increase (Decrease) from 2004	Percent Increase (Decrease)
Operating Expenses: Developmental disabilities division Adults with mental illness division Substance use disorder division Children family adult outpatient division Other programs Management and general	\$ 37,972,480 32,247,696 7,347,260 5,948,972 5,674,326 4,106,377	40.7% 34.5 7.9 6.4 6.1 4.4	\$	(194,537 1,993,894 396,235 640,430 387,365 (251,859	6.6 5.7 12.1 7.3
Total Operating Expenses	\$ 93,297,111	100.0%	\$	2,971,528	3.3%
Fiscal Year Ended September 30, Operating loss Non-operating revenue Transfers from Kent County			040 672	,074) \$,379 ,386	2004 (166,227) 385,529 2,162,386
Increase in Net Assets		1,	794	,691	2,381,688
Net Assets, beginning of year		9,	099	,845	6,718,157
Net Assets, end of year		\$ 10,	894	,536 \$	9,099,845

FINANCIAL OPERATIONS HIGHLIGHTS

- Total operating revenues increased by 2.3% or \$2,097,681 from \$90,159,356 to \$92,257,037 in 2005 principally due to the increases in Medicaid funding.
- Operating expenses increased by 3.3% or \$2,971,528 from \$90,325,583 to \$93,297,111 in 2005 principally due to increased utilization in the adults with mental illness and substance use disorder divisions.

- Non-operating revenue increased by 74.4% or \$286,850 from \$385,529 to \$672,379 in 2005 principally due to a new investment in certificates of deposit and better market performance of investments resulting in an increase in investment income.
- The total increase in net assets in 2005 was \$1,794,691. The Authority board approved funding various programs and expenses during the year through the use of fund balance. These programs included a public inebriates program, residential programs, other service related programs, video conference equipment and depreciation expense. The total amount approved for these programs was \$1,350,242.
- The Authority's contract reconciliation with the State of Michigan identified \$334,622 of Medicaid expenses over Medicaid funding. General funds were redirected to cover these Medicaid expenses. State general fund carry forward of \$811,793 is available for fiscal year 2005/2006, and the Authority lapsed \$244,523 back to the State of Michigan.

SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash for the past two years:

Fiscal Year Ended September 30,	2005	2004
Net cash provided by (used in) operating activities Net cash provided by non-capital financing activities Net cash used in capital and related financing activities Net cash provided by (used in) investing activities	\$ 1,130,757 2,124,886 (48,107) (6,827,621)	\$ (1,251,488) 2,199,886 (12,840) 385,529
Increase (Decrease) in Cash	(3,620,085)	1,321,087
Cash, beginning of year	 17,300,701	15,979,614
Cash, end of year	\$ 13,680,616	\$ 17,300,701

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Government Accounting Standards Board (GASB). It also follows, where appropriate, statements and interpretations by the Financial Accounting Standards Board (FASB). Revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized (except land and construction in progress) and are depreciated over their useful lives. See the notes to the financial statements for a summary of the board's significant accounting policies.

Respectfully submitted.

Thomas Elzinga

Deputy Director of Administrative Services

Robin DeYoung Accounting Manager

Robin Deyoung

Statements of Net Assets

September 30,	2005	2004
Current Assets		
Cash and cash equivalents (Note 2)	\$ 13,680,616	\$ 17,300,701
Investments (Note 3)	7,500,000	-
Accounts receivable	667,849	608,964
Due from State of Michigan	1,239,435	1,489,290
Due from Kent County	341,709	146,387
Prepaids and other current assets	216,280	115,343
Total Current Assets	23,645,889	19,660,685
Capital Assets, net of accumulated depreciation (Note 4)	206,834	274,269
Total Assets	\$ 23,852,723	\$ 19,934,954
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,752,734	\$ 8,954,181
Due to State of Michigan	1,729,776	906,862
Due to Kent County	283,256	320,756
Deferred revenue	1,192,421	653,310
Total Current Liabilities	12,958,187	10,835,109
Commitments (Notes 5, 6, 8 and 9)		
Net Assets		
Invested in capital assets	206,834	274,269
Unrestricted	10,687,702	8,825,576
Total Net Assets	10,894,536	9,099,845
Total Liabilities and Net Assets	\$ 23,852,723	\$ 19,934,954

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Assets

Year ended September 30,	2005	2004
Operating Revenues		
Medicaid/PEPM	\$ 64,448,845	\$ 61,089,366
State grants	15,472,576	16,140,926
Substance abuse division	7,053,241	6,679,701
Adult benefit waiver	1,871,519	2,635,590
Other program revenue	2,042,218	2,135,015
Children's model waiver	858,504	962,883
Access center	237,222	211,877
Miscellaneous		303,998
Total Operating Revenues	92,257,037	90,159,356
Operating Expenses		
Program services		
Developmental disabilities division	37,113,976	37,204,134
Adults with mental illness division	32,247,696	30,253,802
Substance use disorder division	7,347,260	6,951,025
Children family adult outpatient division	5,948,972	5,308,542
Access center	3,420,179	3,456,245
Local match/quality assurance assessment program	1,696,389	1,018,797
Children's model waiver	858,504	962,883
Other Federal and State grants	337,657	544,522
Training	220,101	267,397
Administration	4,106,377	4,358,236
Total Operating Expenses	93,297,111	90,325,583
Operating Loss	(1,040,074)	(166,227)
Non-Operating Revenue		
Investment income	672,379	385,529
Transfers From Kent County	2,162,386	2,162,386
Increase in Net Assets	1,794,691	2,381,688
Net Assets, beginning of year	9,099,845	6,718,157
Net Assets, end of year	\$ 10,894,536	\$ 9,099,845
		_

See accompanying notes to financial statements.

Statements of Cash Flows

Year ended September 30,	2005	2004
Operating Activities		
Cash received from providing services	\$ 93,532,624	\$ 89,157,260
Cash paid to suppliers	(86,749,457)	(84,824,098)
Cash paid to employees	(5,652,410)	(5,584,650)
Cash Provided by (Used in) Operating Activities	1,130,757	(1,251,488)
Non-Capital Financing Activity		
Payments from Kent County	<u>2,1</u> 24,886	2,199,886
Capital Activity		
Purchase of capital assets	(48,107)	(12,840)
Investing Activities		
Interest income	672,379	385,529
Purchase of certificate of deposits	(7,500,000)	
Cash Provided by (Used in) Investing Activities	(6,827,621)	385,529
Increase (Decrease) in Cash	(3,620,085)	1,321,087
Cash and Cash Equivalents, beginning of year	17,300,701	15,979,614
Cash and Cash Equivalents, end of year	\$ 13,680,616	\$ 17,300,701
Reconciliation of Operating Loss to Net Cash		
Provided by (Used in) Operating Activities:		
Operating loss	\$ (1,040,074)	\$ (166,227)
Adjustments to reconcile operating loss to net cash		
provided by (used in) operating activities:	448.546	
Depreciation	115,542	149,594
(Increase) decrease in:	(0.7.1.00.7)	(0.61.006)
Accounts receivable	(254,207)	(361,886)
Due from State of Michigan	249,855	(50,321)
Prepaids and other current assets	(100,937)	(21,399)
Increase (decrease) in:	1 227 (()	(011.2(0)
Accounts payable and accruals	1,337,664	(211,360)
Due to State of Michigan	822,914	(589,889)
Net Cash Provided by (Used in) Operating Activities	\$ 1,130,757	\$ (1,251,488)

See accompanying notes to financial statements.

Notes to Financial Statements

1. Nature of Organization

Kent County CMH Authority (Authority) was created by the County of Kent, Michigan Board of Commission (primary government), to operate, control, and manage an integrated behavioral healthcare system in order to serve Kent County (the County). The Authority does business as Network180 (formerly was doing business as Community Mental Health and Substance Abuse Network of West Michigan). The Authority is governed by a community mental health services board, which is appointed by the County of Kent Board of Commission. The primary government also provides financial support annually to the Authority. Accordingly, the Authority is considered to be a component unit of the County and is discretely presented in the financial statements of the County.

2. Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared using proprietary fund accounting. Revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. The Authority follows all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Revenues from premiums, state grants, client service, and federal grants are reported as operating revenues. Transactions that are capital, financing, or investing related are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses.

Cash and Cash Equivalents

Cash is on deposit in the County's Pooled Cash and Investment System (Money Max). Interest income earned is included in the pooled funds. Only the Authority's portion of this pool is reported on the balance sheet. Additional cash and cash equivalents are held at a commercial bank (see Note 7).

Notes to Financial Statements

Receivables and Payables

Accounts receivable, representing outstanding balances on charges for services, are considered fully collectible.

Transactions between the Authority and various departments of the State of Michigan that are representative of service provider/purchaser and borrowing arrangements outstanding at year-end are reported as "due from/to State of Michigan."

Transactions between the Authority and provider agencies that represent the differences outstanding at year-end between amounts advanced to agencies and qualifying expenditures are included in accounts receivable/payable and accruals.

Capital Assets

Capital assets are recorded at cost. Routine maintenance and repairs are charged to operations, as incurred. Upon sale or retirement, the related cost and accumulated depreciation are removed with the resulting gain or loss reflected in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3-10 years.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets is the Authority's investment in capital assets, net of accumulated depreciation.

Claims Liability

Under the State of Michigan's Managed Care Specialty Services Program, the Authority is responsible for processing and paying all claims related to required services provided. The cost of these services includes estimates of payments to be made on claims reported and estimates of services rendered but not reported to the Authority as of the balance sheet date.

Notes to Financial Statements

Self-Insurance Plans

The Authority participates in a self-insurance program for dental benefits. Total expense charged to operations for costs incurred for the years ended September 30, 2005 and 2004 amounted to \$59,000 and \$47,300, respectively.

Compensated Absences

Employees are granted vacation or paid time off leave in varying amounts based on length of service. Depending on classification, employees may not accumulate over 37½ days of vacation leave in any one calendar year. Upon termination, employees are paid for unused vacation at their current rates. It is the Authority's policy to recognize the cost of vacation pay at the time the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made in the 2004 financial statements to conform to the classifications used in 2005 with no effect to the operating loss.

3. Cash Deposits and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan which are also members of a Federal or National Insurance Corporation.

Notes to Financial Statements

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Total cash and deposits held by the Authority at September 30, 2005 and 2004 was \$11,116,317 and \$5,033,276, respectively, of which \$11,016,317 and \$4,933,276 was exposed to custodial credit risk since they were uninsured and uncollateralized. Currently the Authority does not have a deposit policy regarding custodial credit risk.

Investments

As of September 30, 2005 and 2004, the Authority had the following deposits (subject to custodial credit risk) classified as investments on the statement of net assets:

		Fair Value			
September 30,	<u>Maturity</u>	2005		2004	
Certificate of deposit	5/12/06	\$ 2,500,000	\$	_	
Certificate of deposit	8/15/06	2,500,000	,		
Certificate of deposit	11/15/06	2,500,000		-	
Total		\$ 7,500,000	\$	_	

Interest Rate Risk

The Authority does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2005 and 2004, the Authority had \$10,064,299 and \$14,686,781, respectively, in the Kent County investment pool which are classified as cash and cash equivalents.

Notes to Financial Statements

The County's investments are categorized in the County's financial statements to give an indication of the level of risk assumed by the entity at year end. It is not feasible to allocate the level of risk to the various funds and component units of the County. Accordingly, the Authority's investments are not categorized in this report.

Credit Risk

State statutes and Board resolutions authorize the Authority to invest in:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.
- c. United States government or federal agency obligation repurchase agreements.
- d. Banker's acceptances of United States banks.
- e. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating agency.
- f. Obligations described in subsections a. through e. if purchased through an inter-local agreement under the urban cooperation act of 1967.
- g. Investment pools organized under the surplus funds investment pool act of 1982.
- h. Investment pools organized under the local government investment pool act of 1985.

Concentrations of Credit Risk

The Authority's investment policy states that with the exception of United States Treasury Securities and authorized investment pools, no more than 50% of the total investment portfolio shall be invested in a single security type or with a single financial institution.

Notes to Financial Statements

4. Capital Assets

Capital asset activity was as follows:

	Balance, October 1, 2004	Increase	Decrease	Septe	Balance, ember 30, 2005
Capital assets being depreciated: Equipment and furniture	\$ 888,029	\$ 48,107	\$	\$	936,136
Less accumulated depreciation: Equipment and furniture	613,760	115,542		-	729,302
Total Invested in Capital Assets, net	\$ 274,269	\$ (67,435) \$	- \$	206,834

Depreciation expense of \$115,542 is recorded as administrative expense.

5. Retirement Plans

Defined Benefit Plan

Plan Description

The Authority's defined benefit pension plan provides retirement, disability and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee pension plan.

The Authority establishes and amends the benefit provisions of the participants in the Plan. The report may be obtained by writing the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The Authority is required to contribute at an actuarially determined rate. Employees are required to contribute 5.33% of their payroll to the Plan. The contribution requirements of the Authority are established and may be amended by the Authority trustees.

Notes to Financial Statements

Annual Pension Cost

For the years ended September 30, 2005 and 2004, the Authority's annual pension cost was \$240,869 and \$240,373, respectively, and the actual amount contributed was \$239,552 and \$195,763, respectively. The required contributions were determined as part of the May 1, 2003, actuarial valuations, using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 4.5% per year. The remaining amortization period for all liabilities at September 30, 2005, is 30 years.

Trend Information

Trend information consists of the following:

Fiscal		Annual	Percentage		
Year Ended	Year Ended Pension Cost		of APC Net I		Pension
September 30,	(APC)		Contributed	Obliga	
2005	\$	240,869	80.9%	\$	45,927
2004		240,373	81.4		44,610

Required supplementary material regarding the Plan is presented on page 20.

Other Postemployment Benefits

In addition to the pension benefits described above, the Authority provides post-retirement health care insurance for employees who are eligible to retire under the Authority's retirement plan, as long as the retiree is not covered by another employer's health care plan or a health care plan offered by their spouse's employer. The Authority pays \$200 per month towards the health care insurance premium for a retiree with 25 years of service. Retirees with less than 25 years of service receive a pro-rata credit based on years of service in relation to 25 years. Currently, there are no retirees who receive health care benefits from the Authority.

6. Noncancelable Lease Agreements

The Authority has entered into noncancelable operating lease agreements on behalf of various agencies for the purpose of providing housing to the developmentally disabled. The Authority also leased office space for the Access Center at 833 Lake Drive SE, Grand Rapids, Michigan under agreements which expired in fiscal year 2006 (see Note 10).

Notes to Financial Statements

Future minimum rental payments are as follows:

Year ending September 30,

2006	\$ 204,465
2007	204,465
2008	190,594
2009	56,002
2010	36,300

The Authority paid rental expense under these lease agreements of \$391,416 and \$388,957 during 2005 and 2004, respectively.

7. Related Party Transactions

Administrative expenses incurred by the County during previous years on behalf of the Authority are charged to the Authority. The County owns the land and the building in which the Authority conducts its operations. The Authority paid \$1 in rent to the County during both 2005 and 2004.

As of March 31, 2005, the president of the bank utilized by the Authority as its primary bank is no longer a member of the Authority's Board. Authority cash deposits held at this bank at September 30, 2005 and 2004 total \$11,856,463 and \$5,033,276, respectively. Of this amount, \$100,000 is covered by federal insurance.

8. Contingencies

The Authority provides mental health services primarily to residents of Kent County through agencies in the Kent County area. The Authority is funded primarily through contracts with the Michigan Department of Community Health, based on actual expenditures incurred. Final settlements of amounts received are subject to possible adjustments resulting from audits by the State of Michigan. Such adjustments are not expected to materially affect the financial position of the Authority.

9. Financing of Pending Managed Care Risk Loss Corridor

Effective October 1, 1998, the Authority began operating as a managed care provider to the State of Michigan. The Authority bears all costs up to 107.5% of the annual negotiated contract. All costs above 107.5% are borne by the State of Michigan. The Authority has designated a portion of net assets and funded an amount to cover the risk exposure under its contract with the State of Michigan.

10. Subsequent Event

Subsequent to September 30, 2005 the Authority purchased property at 833 Lake Drive SE, Grand Rapids, Michigan for \$1,052,288.

Required Supplemental Material

Analysis of Funding Progress - Employee Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2004 December 31,	\$ 12,858,549	\$ 10,663,792	\$ (2,194,757)	120.6	\$ 5,369,294	(40.88)
2003	11,186,319	8,343,434	(2,842,885)	134.1	5,115,767	(55.6)

Supplemental Material



99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone. (616) 774-7000 Fax: (616) 776-3680

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Kent County CMH Authority Grand Rapids, Michigan

We have audited the financial statements of Kent County CMH Authority (the Authority), as of and for the years ended September 30, 2005 and 2004, and have issued our report thereon dated February 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

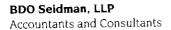
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan February 20, 2006

BDO Sadran, LLP





99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Kent County CMH Authority Grand Rapids, Michigan

Compliance

We have audited the compliance of Kent County CMH Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan February 20, 2006

BDO Seifnan, LLP

Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures		
U.S. Department of Health and Human Services				
Passed Through Michigan Department of Community Health:				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	\$ 35,000		
State Incentive Grant - Wedgwood	93.243	211,896		
Child Care Consultation	93.575	72,698		
State Children's Insurance Program: ABW MI Child	93.767 93.767	615,186 65,038		
Medical Assistance Programs - OBRA	93.778	393,254		
Strong Beginnings	93.926	54,750		
Block Grants for Community Mental Health: Wrap-Around Respite Grant Juvenile Justice Diversion Project Kent MI/SA Program Case Management Peer Support Staff on ACT Teams Treating Adults with Co-Occurring Disorders	93.958 93.958 93.958 93.958 93.958 93.958	22,167 50,000 55,880 9,000 22,925 73,047		
Block Grants Prevention and Treatment of Substance Abuse: Women's Specialty Project Rehab Prevention	93.959 93.959 93.959	1,761,893 90,347 601,994		
Total Expenditures of Federal Awards		\$ 4,135,075		

Note to Schedule of Expenditures of Federal Awards

Note 1

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

See accompanying independent auditors' report.

Summary of Auditors' Results and Schedule of Findings and Questioned Costs

Section I—Summary of Auditor's Results

Type of auditors' report issued:

Financial Statements

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

No

Reportable condition(s) identified that are not considered to be material weaknesses?

None Reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

No

Reportable condition(s) identified that are not considered to be material weaknesses?

None Reported

An unqualified opinion was issued on the compliance report for major programs.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) or Circular A-133?

No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.767	State Children's Insurance Program
93.778	Medical Assistance Programs - OBRA
3011.70	

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

Yes

Section II — Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

	Developmental Disabilities Division					
Year ended September 30, 2005		Budget		Actual		Variance Positive (Negative)
Expenses						
Assessment and evaluation	\$	261,708	\$	263,671	\$	(1,963)
Clubhouse program	•	19,680	•	11,480	•	8,200
Community living supports		367,253		310,371		56,882
Electroconvulsive therapy		17,304		9,873		7,431
Enhanced health care		1,558,589		1,227,638		330,951
Family skills development		769,824		772,250		(2,426)
Home leases		210,600		211,024		(424)
Housing assistance		1,382,281		1,368,951		13,330
Innovation plans		54,620		54,555		65
Integrated employment		1,446,201		1,328,711		117,490
Other skill building		5,470,478		5,464,181		6,297
Out of county		352,448		206,536		145,912
Personal assistance		168,846		133,422		35,424
Pre-admission screening and annual resident review (PASARR)		178,076		186,323		(8,247)
Prevention		24,852		24,852		-
Respite care		504,058		598,208		(94,150)
Self-determination		592,359		500,496		91,863
Specialized residential	2	0,629,712		20,280,968		348,744
State inpatient services		1,038,622		733,275		305,347
Support service coordination		3,504,108		3,427 <u>,</u> 191		<u>7</u> 6,917
	\$3	8,551,619	\$	37,113,976	\$	1,437,643

	Adults with Mental Illness Division					
Year ended September 30, 2005	Budget	Actual		Variance Positive (Negative)		
Expenses						
Assertive community treatment	\$ 8,601,758	\$ 8,735,545	\$	(133,787)		
Case management	1,404,823	1,723,560		(318,737)		
Clubhouse program	933,168	940,751		(7,583)		
Day programs	449,335	404,511		44,824		
Electroconvulsive therapy	14,111	23,872		(9,761)		
Emergency services	648,684	650,496		(1,812)		
Housing assistance	90,400	90,398		2		
Innovation plans	17,210	8,628		8,582		
Integrated employment	655,635	730,826		(75,191)		
Kent MI/SA program	54,899	55,722		(823)		
Local inpatient service	6,661,614	7,340,667		(679,053)		
Mental health clinic	1,117,423	1,009,307		108,116		
Michigan rehab services	85,050	82,050		3,000		
Out of county	-	18,005		(18,005)		
Partial hospitalization	310,502	176,860		133,642		
Peer operated support services	119,510	184,879		(65,369)		
Pre-admission screening and annual resident review (PASARR)	527,040	415,776		111,264		
Prevention	69,856	4,981		64,875		
Self-determination	13,050	1,965		11,085		
Specialized residential	7,181,765	6,538,720		643,045		
State inpatient services	3,083,891	3,110,177		(26,286)		
	\$32,039,724	\$32,247,696	\$	(207,972)		

	Substance Use Disorder Division									
Year ended September 30, 2005	Budg	et	Actual		Variance Positive (Negative)					
Expenses										
Care coordination	\$ 127,052	2 \$	129,061	\$	(2,009)					
Family skills development	454,185	5	416,676		37,509					
HIV/AIDS training	100,200)	100,188		12					
Housing assistance	108,090)	87,620		20,470					
Innovation plans	64,400)	28,105		36,295					
Liquor tax	16,000)	16,000		•					
Methadone	324,000)	194,539		129,461					
Outpatient services	1,307,161	l	857,218		449,943					
Prevention	948,803	3	959,579		(10,776)					
Public inebriate shelter	15,000)	15,000		•					
Quality assurance assessment program	16,698	3	16,698		-					
Sober living unit	133,905	5	134,913		(1,008)					
Specialized residential	2,240,431		2,095,828		144,603					
State disability assistance	152,904	ļ	150,900		2,004					
Sub acute detox	415,935	;	306,148		109,787					
Administrative/access center	1,306,448	3	1,838,787		(532,339)					
	\$ 7,731,212	2 \$	7,347,260	\$	383,952					

395,238

Schedule of Expenses

Children Family Adult Outpatient Division

492,870

74,438

\$ 6,097,102 **\$** 5,948,972 **\$** 148,130

(97,632)

(74,438)

Variance Positive Year ended September 30, 2005 Budget Actual (Negative) **Expenses** Assessment and evaluation 80,477 \$ 87,589 \$ (7,112)1,779,720 1,487,410 292,310 Home based Innovation plans 166,980 182,553 (15,573)Local inpatient service 613,200 465,313 147,887 Medications 282,933 525,861 (242,928)Mental health clinic 1,253,939 1,234,202 19,737 Michigan rehab services 20,000 20,000 Out of county 3,000 6,954 (3,954)Partial hospitalization 73,531 51,406 22,125 Prevention 1,367,140 1,256,677 110,463 Respite care 60,944 63,699 (2,755)

Specialized residential

State inpatient services

	 Access Center						
Year ended September 30, 2005	 Budget	Actual	Variance Positive (Negative)				
Expenses							
Consultants	\$ 341,345	\$ 303,524	\$ 37,821				
County cost allocation	6,900	6,892	8				
Fringe benefits	756,750	703,846	52,904				
Janitorial service	22,200	21,540	660				
Management information systems projects	650	812	(162)				
Medications	157,155	254,324	(97,169)				
Memberships and subscriptions	850	530	320				
Office equipment and furniture	31,450	55,168	(23,718)				
Office supplies	17,800	21,643	(3,843)				
Postage	4,700	3,084	1,616				
Rent	239,950	234,723	5,227				
Repairs and maintenance	32,800	12,861	19,939				
Salaries and wages	2,721,215	2,679,395	41,820				
Security	122,100	118,092	4,008				
Telephone and internet	47,100	44,821	2,279				
Training	24,425	21,022	3,403				
Transportation services	66,132	88,107	(21,975)				
Travel	9,750	9,686	64				
Utilities	18,000	17,452	548				
Miscellaneous	3,500	3,932	(432)				
Substance use disorder division allocation	 (844,620)	(1,181,275)	336,655				
	\$ 3,780,152	\$ 3,420,179	\$ 359,973				

	Training								
Year ended September 30, 2005	Budget	Actual	Variance Positive (Negative)						
Expenses									
Fringe benefits	\$ 48,107	\$ 20,261	\$ 27,846						
Janitorial service	2,650	2,574	76						
Memberships and subscriptions	250	75	175						
Office and educational supplies	8,700	7,312	1,388						
Postage	1,800	811	989						
Rent	4,800	4,415	385						
Repairs and maintenance	4,308	3,701	607						
Salaries and wages	189,545	168,045	21,500						
Telephone and internet	2,000	1,676	324						
Training	5,950	4,170	1,780						
Travel	1,500	576	924						
Utilities	8,500	6,449	2,051						
Miscellaneous		36	164						
	\$ 278,310	\$ 220,101	\$ 58,209						

	Administration						
Year ended September 30, 2005		Budget	Actual	Variance Positive (Negative)			
10dr onaca september 50, 2005		zo araber		(1.050110)			
Expenses							
Audit	\$	25,000	\$ 21,299	\$ 3,701			
Community promotion		70,100	73,810	(3,710)			
Consultants		511,450	354,074	157,376			
County cost allocation		38,350	38,349	1			
Depreciation		93,250	115,542	(22,292)			
Fringe benefits		852,943	755,442	97,501			
Insurance and bonds		27,450	25,754	1,696			
Janitorial service		11,300	11,154	146			
Legal		45,000	43,938	1,062			
Management information systems projects		102,415	94,302	8,113			
Memberships and subscriptions		28,800	28,123	677			
Office equipment and furniture		40,998	80,863	(39,865)			
Office supplies		19,700	23,977	(4,277)			
Postage		8,000	7,224	776			
Rent		20,000	16,934	3,066			
Repairs and maintenance		29,147	22,217	6,930			
Salaries and wages	2	,916,555	2,848,977	67,578			
Telephone and internet		47,580	51,222	(3,642)			
Training		63,850	39,003	24,847			
Travel		55,500	55,042	458			
Utilities		36,700	27,946	8,754			
Miscellaneous		28,255	28,697	(442)			
Substance use disorder division allocation		(461,828)	(657,512)	195,684			
	<u> </u>	,610,515	\$ 4,106,377	\$ 504,138			

Summary of Budgeted, Reported and Audited Amounts -Substance Abuse Coordinating Agency Schedule A

Fund Source	Budgeted (FINAL)		Reported (FINAL RER)		Audited Expenditures	Variance (Audited- Reported)		Local Match
A State Agreement 1 Community Grant 2 SDA 3 SIG 4 Methamphetamine	\$ 3,452,821 206,258 144,550 72,600	\$	3,452,809 206,258 141,246 58,100	\$	3,452,809 \$ 206,258 141,246 58,100	- - -	\$:
A Subtotal	3,876,229		3,858,413		3,858,413	-	_	-
B Medicaid 1 Current Year PEPM 2 Reinvestment Savings	1,352,209		1,450,612		1,467,310	16,698 (1)	_	-
B Subtotal	1,352,209		1,450,612		1,467,310	16,698	_	-
C Adult Benefit Waiver (ABW) 1 Current Year PEPM 2 Savings	112,288		92,187	_	92,187	_ :	_	
C Subtotal	112,288		92,187		92,187		_	
D MI CHILD 1 Current Year PEPM 2 Savings	7,000		10,217		10,217	-		-
D Subtotal	7,000		10,217		10,217			-
E Local 1 Current Year PA2 2 PA2 Fund Balance 3 Other Local	1,370,302		1,207,373		1,207,373	:		1 ,2 07,373
(R325.4152 excluding subsection (1)(b))					711,761	(1)	-	711,762
E Subtotal	2,383,486		1,919,135	_	1,919,134	(1)	-	-
F Fees and Collections - Subtotal (R325.4151 (1)(d))	14,308		32,183			(32,183) (2)	_	32,183
G Other Contracts & Sources (Subtotal)		_			-	-	-	-
Grand Total of Subtotals A-G	7,745,520	\$_	7,362,747	\$	7,347,261 \$	(15,486)	_	-
Amount Billable to MDCH (Section A audite Total MDCH Payments	ed subtotal)			s	3,858,413 3,786,925			
(Overpayment)/Underpayment				S	71,488			
Local Match Funds Total Local Match Requirement [(Grand Total of	Audited Expenditu	res-]	B- <u>C-D-G)</u> * 10%]				s	1,951,318 156,971
Local Match (Shortfall)/Excess	· <u>-</u>						\$	1,794,347

Variance Footnotes

⁽¹⁾ Quality Assurance Assessment Program expense related to August and September 2005 that was not included in Final RER.

⁽²⁾ Fees and collections reported to us by contract agencies that are not included in our general ledger balances.

					Audited Expe	nditu	res	
	Budgeted		Reported	Gross	Less		Less	Net
Program	 (FINAL)	(FINAL RER)	 Amount	 Medicaid		Fees	Amount
Administration	\$ 379,346	\$	575,030	\$ 575,030	\$ 77,901	\$	-	\$ 497,129
Prevention	877,987		886,538	886,538	-		-	886,538
Treatment	6,007,139		5,357,854	5,325,670	1,275,921		•	4,049,749
Women's Services	147,000		243,790	243,790	96,790		-	147,000
HIV/EIP Training	100,200		100,188	100,188			-	100,188
SIG	144,550		141,246	141,246	-		-	141,246
Methamphetamine	72,600		58,100	58,100	-		-	58,100
Other	16,698			 16,698	16,698		<u>.</u>	<u>.</u>
Totals	\$ 7,745,520	\$	7,362,746	\$ 7,347,260	\$ 1,467,310	\$		\$ 5,879,950

Reconciliation of PA2 Funds

Ending Balance

Beginning balance	\$
Current year PA2	1,370,302
Expenditures	(1,207,373)
-	

162,929

Schedule of Expenses and Funding by Program Substance Abuse Coordinating Agency Schedule B.

_	State Agreement		SDA	_	PA2	Auc	lited Fundir Other Local		Other ources	ABW	_	MI CHILD	Total Funding	Variance (Audited- Reported)	-	estioned Cost expenditures - Funding)
\$	200,771	\$		\$	-	\$	296,358	\$		\$ -	\$	-	\$ 497,129	\$ -	\$	
	802,659				83,879		-		-				886,538	-		-
	2,130,703		206,258		1,286,423		285,374		-	92,187		6,828	4,007,773	(32,184)		41,976
	147,000		-		-		-			-		-	147,000	-		
	100,188		-		-		-		-	-		-	100,188			
	141,246		-		•		-		-	-			141,246	-		-
	58,100		-		-		-		-	-		-	58,100	-		-
		_	<u>.</u>			_		_						16,698	_	<u> </u>
\$ \$	3,580,667	\$	206,258	\$	1,370,302	\$	581,732	\$		\$ 92,187	\$	6,828_	\$ 5,837,974	\$ (15,486)	\$	41,976

Reconciliation of Medicaid Managed Care (PEPM) Funds

PEPM payments received	\$ 1,351,711
Medicaid savings carried over	-
Expenditures	(1,467,310)
Medicaid savings carryforward	
Returned to PIHP	\$ (115,599)

License #	I-SATS#	Provider		ODCP	Med	ficaid	(Fe	BW ederal e Only)	MI Child (Federal Share Only)
		Administrative							
		CA Admin	\$	200,771	\$	77.901	\$	_	s -
		Administrative Totals	<u> </u>	200,771		77,901		-	 -

440054	MIAAEAAO	AAR ODE		744 000		427.070			
410251	MI115410	CDF.		744,203		437,072		<u>·</u>	 -
		AAR Totals		744,203		437,072		<u> </u>	
		Detcx							
410004	MI720532	Salvation Army Turning Point		215,130		68,168		-	
410276	MI116889	Spectrum Health/Kent Campus		12,213		8,850			
330262	MI116293	Sparrow Hospital		-		1,752		-	-
		Detox Totals		227,343		78,770			
		IOP							
410249	MI117127	Arbor Circle Corp - Alcohol and/or							
		Drug Intensive Outpatient Services		88.859		35,889		5.854	- ,
410076	MI103341	Life (Juidance Services		138,801		3,975		1,712	
	MI901983	Our Hope Association		4,574		1,152		230	
410246	MI113670	Pine Rest		43,515		21,780		13,257	-
410004	MI720532	Salvation Army Turning Point		44,065		23,998		8.648	-
410276	MI116889	Spectrum Health/Kent Campus -		,					
		Altohol and/or Drug Group Counseling		10,448		8,660		270	-
410156 I	MI107813	Wedgwood Christian		11,342		44,001		-	3,240
		IOP Totals		341,604		139,456		29,971	3,240
		Meth₃done							
410014	MI10189M	Life Guidance Services		77,799		66,887		27,742	
		Methadone Totals		77,799		66,887			
		Methadone Totals		77,799		66,887		27,742	

Report to the Legislature for Fiscal Year 2004/2005 (Unaudited)

SDA	4	Fees		Local	Federal	Oth	ier	Total Revenues/ Expenditures	Units of Service	Admissions	Unduplicated Clients
\$		\$		\$ 296,358	\$ -	¢	- 9	5 575,030			
.		→	- •	296,358	<u> </u>	\$		575,030	<u> </u>	-	
								0,0100			_
	_		_	-	-		_	1,181,275	14,163	4,527	4,303
	-		-	-	-		-	1,181,275	14,163	4,527	4,303
				1,805				285,103	1,655	481	380
	_		-	1,505	-		-	21,063	220	38	38
	_		_				-	1,752	9	3	3
	-		-	1,805	-		•	307,918	1,884	522	421
			_	4,275	_		_	134,877	2,223	232	228
	_		-	1,446	-		_	145,934	2,243	68	
	-		-	-	-		-	5,956	85	14	1-
	-		-	4,070	-		-	82,622	1,293	126	11
	-		-	146	-		-	76,858	1,182	157	14
	-		-	243	-		-	19,621	403	36	3(
	-		-	2,058	-		-	60,641	1,052	79	7:
	-		-	12,238	-		-	526,508	8,481	712	685
								172,429	4,565	116	102
	-		-	-	-		-	172,429	4,565	116	102

License #	I-SATS#	Provider		ODCP	Me	edicaid	s	ABW (Federal Share Only)	(F	II Child Federal are Only)
		OP								
410249 M	1447407	• •	\$	251,288	•	110,802	•	12,939	٠	897
410249 M		Arbor Circle Corp	3	4,862	J	1,069	Φ	340	₽	091
410218 1	1110924	Bethany Christian Services		10.590		1,725		•		•
410077 M	1007774	Dr. Campbell		8,758		3,885		1,463 677		76
410077 M	1907774	Family Outreach Center		121		125		0//		76
440076 14	1400044	Forest View Hospital						4 040		•
410076 M		Life Guidance Services		17,257		4,815		1,242		•
410246 M		Pine Rest		102,906		12,600		5,594		•
410276 M		Spectrum Health/Kent Campus		1,678		1,098				-
410004 M	1/20532	Salvation Army Turning Point		1,285		505		217		•
440450 14	140=040	St. Mary's Meds		16,459		-		-		•
410156 M	1107813	Wedgwood Christian		1,885		352				<u>-</u> -
		OP 'Totals		417,088		136,976		22,471		973
		Other Services								
410147 M	1108720	Kent County Health Department -								
		AIDS/HIV Prevention		100,188		-		-		-
410076 M	1103341	Life Guidance Services -		•						
		Tobacco Vendor Education		20,288				-		
410192		Mel Trotter Ministries -		,						
		Public Inebnate Shelter		15.000		-		_		_
		Michigan Rehabilitation Services		16,000				-		_
		Out of County Provider				2,188		-		
		Other Services Totals		151,476	_	2,188				

Report to the Legislature for Fiscal Year 2004/2005 (Unaudited)

SE)A	Fees	Local	Feder	ral	Otl	her	Total evenues/ penditures	Units of Service	Admissions	Unduplicated Clients
\$	-	\$ -	\$ 178,002	\$	-	\$	-	\$ 553,928	8,504	1,301	1,225
	-	-			-		-	6,271	88	15	15
	-	-			-		-	13,778	248	108	104
		-	72,735		-		-	86,131	772	82	80
	-	-	-		-		-	246	2	4	4
	-		76		-		-	23,390	398	83	82
	-	-	144		-		-	121,243	2,137	284	271
	-	-	427		-		-	3,203	149	9	9
		-	-		•		-	2,007	32	36	27
	-	-			-		-	16,459	268	137	57
		-	-		-		-	2,237	56	11	11
			251,383		-	_	-	828,891	12,654	2,070	1,885
	-	-	-		-		-	100,188	-	-	-
	-		-		-		-	20,288	•	-	-
	_	-	-		-		-	15,000	-	-	
	-	-	-		•		-	16,000	-	-	
	-		-		-			2,188	25	2	2
	-	-			-		-	153,664	25	2	2

License #	I-SATS#	Provider		ODCP	Medicaid	ABW (Federal Share Only)	MI Child (Federal Share Only)
		Prevention					
410249	MJ117127	Art: or Circle Corp	\$	_	\$ -	\$ -	\$ -
	MI907774	Family Outreach Center	•	35,449		_	
	Mi907758	Gerontology Network		155,201		_	
	MI108720	Kent County Health Department		208,314	_	_	
	MI103720	Life Guidance Services		304,896	_	_	
	MI111310	Native American Council		138,286	-	-	•
	MI107813			23.928	-	-	•
		Wedgwood Christian			•	•	•
410156	MI107813	Wedgwood Christian - SIG		135,297	_ -		
		Prevention Totals		1,001,371	-	<u> </u>	
		Residential					
410008	MI901983	Our Hope Association		71,340	30,621	12,003	
410247	MI113688	Pine Rest		521,741	137,812		
410014	MI302133	Project Rehab - Adult Services		307,518	55,026	-	
410188	MI109728	Project Rehab - Hispanic		141,783	16,783	-	
410004	M1720532	Salvation Army Turning Point		381,950	152,996	-	-
410276	MI116889	Spectrum Health/Kent Campus		23,351	36,625		_
	MI103382	Wedgwood - Adolescent		7.653	64,093		5,740
		Residential Totals		1,455,336	493,955	12,003	
		Network180	-	.,,			
		(CMHSAS Network of West MI)	\$	4,616,991	\$ 1,433,204	\$ 92 <u>,</u> 187	\$ 9,953

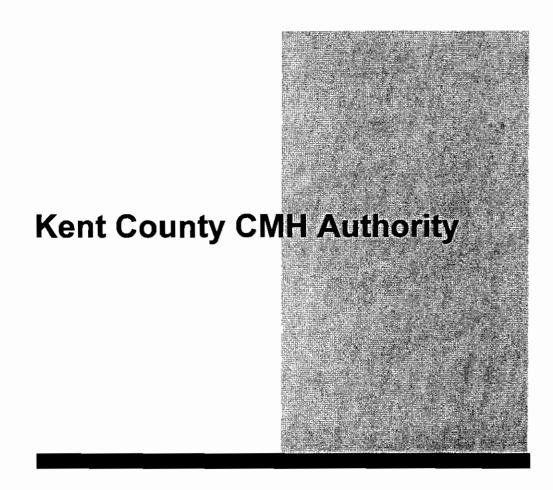
Percentage of SAPT Block Grant Expenditures for Alcohol: 38.95%
Percentage of SAPT Block Grant Expenditures for Drugs: 61.05%

Footnotes

1. Methadone units are reported on a "weekly" basis, one unit equals one week.

Report to the Legislature for Fiscal Year 2004/2005 (Unaudited)

SDA	Fees		Fees_		Fees		Fees		Local	Federal		Other		Total Revenues/ Expenditures	Units of Service	Admissions	Unduplicated Clients
_	\$. \$	4,940	\$	_	\$		\$ 4,940	-								
-			1,500	•	-			36,949	-								
-					-		-	155,201	-	-							
-			-		-		-	208,314	-	-							
-			-		-		-	304,896	-	-							
-			-		-		-	138,286	-	-							
-			-		-		•	23,928	-	-							
-			-		-		-	135,297	-								
-			6,440		-	_	-	1,007,811	-	<u> </u>							
11,220			4,945		-			130,129	2,009	51							
84,484			53,236		-		-	797,273	12,795	355	3						
143,718			85,864		-		-	592,125	15,534	598	48						
16,740			7,709		-		-	183,015	2,156	53	4						
308			33,388		-		-	568,642	3,981	237	2.						
-			4,116		-		-	64,092	909	35	;						
-			7,926		-		-	85,412	397	14							
256,470			197,183		-		-	2,420,687	37,781	1,343	1,1						
256,470	\$. \$	765,407	 \$	_	\$		\$ 7,174,212	79,553	9,292	8,5						



Report to the Finance Committee Year Ended September 30, 2005

Report to the Finance Committee

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion on the financial statements of the Kent County CMH Authority (Authority) based on our audit. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audit to provide reasonable, but not absolute, assurance of detecting misstatements that are material to the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Authority. Such considerations were for the purpose of determining our audit procedures and to report on the internal control in accordance with *Government Auditing Standards*, and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in the notes to the financial statements. We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Management Judgments

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Our audit procedures included inquiries about, and a review of, significant management judgments and accounting estimates.

Report to the Finance Committee

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments to the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the Authority's financial reporting process.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed With Management Prior to Recurring Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Difficulties Encountered With Management in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.